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1 decided not -- it wasn't worth redoing the cost.

2 Q. Okay. On Page 9, you discuss the cost of capital, and I
3 believe the actual rate is proprietary?

4 A. Yeah.

5 Q. Okay. Is anywhere in the materials or in the proceeding
6 that was cited earlier in the TELRIC and the Commission's
7 pending TELRIC study, is the derivation of those different
8 components of the cost of capital, the cost of debt, the cost of
9 equity, are they identified?

10 A. No, they're not. Once again, with the -- we used the same
11 figures that we used in the SGAT proceeding in front of the
12 Commission on the unbundled network element. So the derivation
13 of that cost of capital figure would be from a previous
14 Commission proceeding and we just used that number that
15 Ameritech Ohio supported in this study.

16 Q. Was that number approved by this Commission?

17 A. I don't believe so. I think that's one of the open issues.

18 MR. STEMM: Just for clarification, Jon, I think there
19 may be some misunderstanding. We're talking about the same
20 96-922 case for the cost of capital.

21 MR. CANIS: I figured as much, yeah.

22 BY MR. CANIS:

23 Q. I'd like to direct your attention to Exhibit 1.

24 A. Okay.

25 MR. STEMM: You're referring to Exhibit 1 to his

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1 testimony?

2 MR. CANIS: Yes.

3 BY MR. CANIS:

4 Q. Under installation cost it lists (stricken) -- oops, I'm
5 sorry. We can strike that. Sorry about that.

6 There is an amount listed in -- under "installation cost"
7 as a recurring charge. Why is installation a recurring charge?

8 A. All right. It's -- in order to develop the total installed
9 cost of a service when you -- The engineering and installation
10 costs associated with placing a piece of equipment into the
11 telephone company central office is capitalized; so the first
12 line, the recoverable material costs, is just the actual
13 investment associated with the modems, and the second piece is
14 the actual engineering of where those modems go. And the actual
15 installation of the modems is in there, and we have to
16 capitalize those first installation costs.

17 Q. And when you talk about engineering, what's involved?

18 A. Well, engineering, there's two things involved; one is just
19 the design layout. Exactly like where does the equipment go in
20 the CO, you know, so -- and then just modifying the existing --
21 I want to call it a map, but the existing floor plan to note
22 that these modems are now in this particular row at this
23 particular place.

24 And, also, you'd use the engineering to make sure you had
25 the proper amount of power going to that, the power needs are

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1 being met, things of that nature.

2 Q. So it's central office infrastructure as well as --

3 A. It's just kind of like a design, how do you -- I'm going to
4 put this here and so somebody looks at it; well, how do I do it?
5 It's generally not too long.

6 Q. Now, do you use time and motion studies for that?

7 A. Well, in these cases we talked to the engineering group and
8 asked them how much -- how many hours it takes them on average
9 to design this and how many hours on average it takes them to
10 install this type of equipment and to see; so we got an estimate
11 back from engineering.

12 Q. Ameritech hasn't offered this particular service before,
13 this is a new service, right?

14 A. Well, Ameritech offers a service very similar to this in
15 its FCC-2 tariff called hubbed NNI connection.

16 Q. So do you feel that the labor involved in this case is
17 equivalent?

18 A. Yeah, I mean, the -- We, Ameritech, uses modems and
19 multiplexers in a variety of services that we provide; so this
20 isn't anything really new. It's just kind of a special access
21 type of multiplexers.

22 Q. Now, once we have derived -- I'm sorry, did I interrupt?

23 A. No, that's fine.

24 Q. Okay. Once we've established the amount of time,
25 engineering time available in deriving this rate, how do we get

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1 the cost? Do you multiply the time by the tariffed engineering
2 rate that appears in your -- in the Ameritech tariff?

3 A. No, we use the estimated time, and it's multiplied by the
4 installation and engineering hourly rate, their incremental
5 labor rate, and that's how you come up with the installation
6 cost.

7 Q. All right. Where does this rate come from?

8 A. Well, it's an internal study that Ameritech Ohio does to
9 determine what the -- what we know; obviously, what the labor
10 rate is, plus the loadings that are added on to them for Social
11 Security and other health benefits.

12 Q. So this is not the tariffed labor rate?

13 A. I don't know where -- I don't know what you mean by
14 "tariffed labor rate."

15 Q. All right. Are you familiar with, you know, a tariff
16 structure at the end of, let's say, the FCC tariff section
17 called additional engineering, and they have discrete labor
18 hours for engineering or engineer, some type of calculations on
19 a per-quarter-hour basis?

20 A. I'm familiar with that basis because -- I should be because
21 my group handles that. However, this rate would really be the
22 incremental cost to Ameritech to do that.

23 Q. Okay.

24 A. And not using the tariffed engineering or installer's rate.

25 Q. Okay. Has that -- I believe you called it incremental

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1 labor rate, has that been approved by this Commission?

2 A. The labor rates that we use for installation are reviewed
3 by this Commission, and we didn't deviate from that procedure or
4 assumptions.

5 Q. Is that matter pending in the TELRIC proceeding or had that
6 been --

7 A. No.

8 Q. -- resolved in a private proceeding?

9 A. These are the same labor rates that we would use for any
10 service that we present before the Public Utilities Commission
11 of Ohio.

12 Q. Going back to the top line, the recoverable material costs,
13 you said that was associated with modems?

14 A. Multiplexers, I mean. I call them modems, but it's really
15 a multiplexer, but what will happen is that our interface to
16 AADS, who we're really kind of reselling their frame relay
17 service, is at a DS-3; so we're muxing the DS-1 up to a DS-3 and
18 handing it off to AADS in that manner.

19 Q. So this is an electrical mux?

20 A. Electrical to optical. It will come in electrical and
21 leave as an optical.

22 Q. So T-3 is an optical and T-1 is an electrical?

23 A. No, you would have -- a DS-3 can be either optical or
24 electrical. If you start using optical carrier 312 or 324, that
25 would be an optical connection. The DS-3 or T, whatever you

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1 want to call it, is really referring to the speed more so than
2 if it's optical or electrical end off, in laymen's terms.
3 Somebody could say that a D-3 actually means this from an
4 engineering standpoint, but --

5 Q. Right. I appreciate laymen's terms. Are you saying this
6 is a SONET connection then?

7 A. Yeah, we're going into a SONET multiplexer using the
8 Ameritech network re-configuration service, and so it's going --
9 the SONET multiplexer isn't part of these costs. It's part of
10 the charge that AADS assesses Ameritech Ohio when they purchase
11 one of these connections.

12 Q. Is it possible for you to identify where on Mr. Whiting's
13 diagram this -- these multiplexers would be located?

14 A. Sure. An Ameritech CO, just like any other -- I mean, any
15 other -- any frame relay provider can do this. There is a SONET
16 multiplexer within our CO, and they use the ANRS service and
17 AADS has bought this and it's -- it will be like an OC-3 to
18 OC-48, depending upon their bandwidth needs, and they purchase
19 that out of the Ameritech FCC-2 tariff.

20 The speed, the SONET speed, they have a SONET multiplexer
21 in the wire center and they'll use Ameritech network
22 re-configuration service. So these three pieces, the OC-3 or
23 whatever speed they choose, the ANRS and the SONET multiplexer
24 are purchased by AADS, and then they combine it with their frame
25 relay port and they resell it to us.

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1 What we have here, the piece of equipment that I'm talking
2 about is really like if this one, as we said for Exhibit 1, is a
3 DS-1 coming in and that has to get mux'd up to come in at DS-3
4 because this is only excepting DS-3 interface, an optical DS-3
5 interface; so most cases we might be taking an electrical DS-1
6 interface, muxing it up to DS-3 and then handing it off
7 optically. And so that's the investment that is really shown in
8 the first two lines of doing that.

9 Q. Now, was that a dedicated facility between the serving wire
10 center and AADS?

11 A. Yes, it is.

12 Q. And AADS typically uses those connections at the OC-48
13 level?

14 A. Well, I said anywhere from like an OC-3 to an OC-48. I'm
15 not sure exactly what they have in between these two locations.

16 Q. Is that used throughout the network?

17 A. Subject to check, because I haven't designed the AADS's
18 network because I'm really looking at how we're handing things
19 off to them, I'm not sure how they network their service. But
20 generally speaking, they have a -- there is a SONET interface
21 and it's at an OC-3 speed or higher going into their switch, or
22 I should say actually going to their switch location. I'm not
23 sure how this terminates on their switch because, once again,
24 that wasn't part of the service I was costing.

25 Q. Right. So AADS purchases that OC-3 to OC-48 link from

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1 Ameritech out of Ameritech's tariff?

2 A. That's correct.

3 Q. Do we have any indication what AADS's typical capacity is
4 in a typical frame relay switch?

5 A. I personally don't know what their switch capacities are.
6 I suppose, like any other vendor, as you start running out, you
7 may expand or put another switch at that same location.

8 Q. And in pricing -- in establishing this number for
9 recoverable material costs, are you assuming that ICI will be
10 interconnecting at the OC-3 or OC-48 level?

11 A. Well, what we're really -- yeah, established, was that
12 you're coming in at a DS-1 and then ICI interconnected our DS-1
13 level and then what will we need to do to connect to the AADS
14 switch.

15 Q. Is that, when you calculate that mux cost, is that assuming
16 a dedicated mux?

17 A. Yeah. I mean, they have a dedicated channel. That mux,
18 when you go from a DS-1 to a DS-3, there's 28 different DS-1s
19 there; so it would have one/twenty-eighth of the common cost of
20 the mux and one line card.

21 Q. When you talk about connecting at the OC-3 to OC-48 level,
22 are you -- when you -- when you price out that multiplexer,
23 what -- are you making an assumption that the actual connection
24 is running at OC-3, OC-48 or in the nexus of the two?

25 A. That's my clarification. AADS charges us on a monthly

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1 basis for a hub-to-NNI connection, for a connection at a DS-1
2 level to their switch. That price includes the connection on
3 the switch, the transport between their switch and the serving
4 wire center, the SONET multiplexer and the ANSR feature.

5 They bundle those components together when we buy the
6 service from them. So when we talk about everything, you know,
7 talking about SONET and things like that, you know, I get a
8 price for that. So I don't know exactly what percentage was
9 OC-3 versus OC-48.

10 Q. In order to price that, you have to make some kind of
11 assumption along those lines, right?

12 A. I'm not going to testify as to how AADS determined the
13 price for the connection on their switch. I can only assume,
14 and I know that the cost of those items were included in the
15 price that they charge us.

16 Q. Okay. Now, look -- let me -- and I'm sorry if I'm being
17 dense here.

18 A. That's all right.

19 Q. I just want to get this right. Ameritech buys frame relay
20 switching functionality from AADS. Does AADS buy the NNI from
21 Ameritech?

22 A. Yes. If AADS secured some customers and they're offering
23 enhanced frame relay, they would purchase the -- well, if it was
24 in connection with an inter-exchange carrier, they would
25 purchase an NNI, and then we'll just call this MFS is the

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1 interLATA carrier, that this customer's needs were met.

2 So they would have the NNI connection coming in here for
3 the traffic to leave the LATA, but then any end user would be
4 hanging off of here. Any end user would be buying the -- the
5 UNIs, U-N-I-s, they'd be buying the UNIs out of the tariff.

6 So AADS, they'd be buying basic frame relay services out of
7 the FCC-2 tariff or the Public Service Commission of Ohio's
8 intrastate access tariff, just like any other provider would.

9 Q. Okay. Now, what I just want to make sure about is the
10 transport piece, right under where you wrote, OC-3/48, right?

11 A. Right.

12 Q. And the mux?

13 A. Right.

14 Q. Now, are they bundled together in the NNI charge that
15 Ameritech charges AADS, or are they bundled together in the
16 switching rate that AADS charges Ameritech?

17 A. Okay. This might -- I'll try to answer your question, but
18 bear with me because if we -- our contract with AADS states that
19 if we want a DS-1 connection on their switch, it's this amount
20 and this is what it includes. So to the -- so for (stricken) a
21 year for DS-1 connection, it includes all this stuff, the
22 transport, the mux, the SONET stuff and the termination on the
23 switch. We cannot -- right now it's a package deal. We don't
24 buy them separately from AADS.

25 Q. Okay.

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1 EXAMINER JENNINGS: Excuse me. I believe there's a
2 reference made to a numerical value, and I'd like it stricken
3 from the record.

4 THE WITNESS: Sorry.

5 You want to strike that number from before and we just
6 say that in the monthly charges that AADS assesses Ameritech
7 Ohio for a DS-1 connection to their frame relay switch includes
8 a termination on the switch, the transport from our serving wire
9 center to their switch location and the SONET multiplexer. We
10 don't purchase those discretely from AADS. That's our vendor in
11 order to provide the frame relay switch.

12 BY MR. CANIS:

13 Q. Okay. And the mux is located in the Ameritech served wire
14 center?

15 A. That's correct.

16 Q. And the rate for which this package of service is provided
17 by AADS to Ameritech is negotiated?

18 A. It was a negotiated rate between -- it was based on cost
19 and then your next question is going to be "What's cost?"

20 (Laughter.)

21 We negotiated a rate between Ameritech Ohio and AADS to
22 provide these. To the extent that AADS's charges to us are not
23 in the marketplace, Ameritech Ohio has the ability to seek other
24 vendors for frame relay services, including ICI.

25 Also, to the extent that AADS charges a premium in the

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1 marketplace, it makes their ability to sell frame relay services
2 unattractive, and they'll lose market share to other
3 competitors. So I see it more of as a market-driven
4 negotiation. I know that AADS is not happy with the rates that
5 they're receiving for their services. They think it should be
6 higher, but that's part of negotiation.

7 MEMBER SOLIMAN: Can I ask a clarifying question here?
8 Are there any other carriers as customers of AADS that purchase
9 the same package as Ameritech Ohio purchases from AADS?

10 THE WITNESS: Well, probably to a certain extent, yes,
11 and I'll explain it because AT&T has over 60 percent of the
12 market for frame relay. What you have is an RCO, this was a
13 serving wire center. Okay? And you went out to AT&T's POP.
14 Okay? They'd probably have, you know, 12 DS-3, a 12-pack of
15 DS-3s going in between here, and they'd buy the same mux here
16 and ANS our facilities like we do. And although a lot of those
17 might be special access, some of these frame accesses are for
18 frame relay.

19 So yeah, there's other interexchange carriers that do
20 that. If they're going to bypass Ameritech's frame relay
21 service and to use their own, they can go to a serving wire
22 center the same way this is done.

23 MEMBER SOLIMAN: Whose serving wire center?

24 THE WITNESS: This is Ameritech's wire service, this
25 is like where AT&T's POP is. All they do is if they haven't --

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1 you know, because they have switched traffic coming in here,
2 they have switched traffic and they have framed traffic. And
3 when you're going across transport, they don't know the
4 difference between one versus the other; so they just size this
5 pipe to meet all those needs. And then from here, they just go
6 off to the customer's premises with a DS-1 or whatever, and so
7 that's how they can provide frame relay, and there's other frame
8 relay providers to kind of do what AADS does.

9 MEMBER SOLIMAN: My question is: Are there other
10 carriers like Ameritech Ohio that purchase such a package from
11 AADS, or this is a unique relationship between Ameritech Ohio
12 and AADS?

13 THE WITNESS: When you say "other carriers," you mean
14 like GTE or --

15 MEMBER SOLIMAN: GTE, any other carrier, even some of
16 the CLECs, are they --

17 THE WITNESS: I think in Mr. Whiting's testimony, I'm
18 not positive about this, said that we were -- or at least some
19 of the discovery questions asked if we were providing this frame
20 relay to any independents, and I think we said no, at this time.
21 However, I know there are some negotiations or some talks with
22 some independents.

23 MEMBER SOLIMAN: Maybe I didn't clarify my question
24 enough.

25 THE WITNESS: I'm sorry.

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1 MEMBER SOLIMAN: My question is: Does any other
2 carrier purchase AADS frame relay switching capability plus
3 transport, plus multiplexing from AADS as Ameritech is doing?
4 That's what you have been explaining as other recurring expenses
5 on Page 1 of 5 in your Exhibit 1; is that correct?

6 THE WITNESS: That's correct.

7 MEMBER SOLIMAN: That number is reflective of this
8 package. Are there any other carriers as customers of AADS, as
9 Ameritech Ohio is a customer of AADS, that buy similar packages?

10 THE WITNESS: Okay. Because when -- If AADS sells a
11 frame relay service, they'd purchase it out of the tariff. So
12 that this multiplexer would be part of that.

13 MEMBER SOLIMAN: Out of Ameritech Ohio's tariffs?

14 THE WITNESS: Yeah. So when AADS resells or sells
15 frame relay service, they have to purchase it out of Ameritech
16 Ohio. They're reselling Ameritech Ohio's basic frame relay
17 service.

18 MEMBER SOLIMAN: So they purchase the transport and
19 the multiplexing out of Ameritech Ohio's tariffs, they repackage
20 it and resell it --

21 THE WITNESS: Yeah.

22 MEMBER SOLIMAN: -- back to Ameritech Ohio?

23 THE WITNESS: Yeah. Sorry.

24 MEMBER SOLIMAN: Okay. Thank you. Thank you.

25 BY MR. CANIS:

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1 Q. So just to clarify one of the items that came up in your
2 discussion with Miss Soliman, the cost elements that you
3 identified there, the switching functionality, transport and
4 multiplexing, those together constitute the rate element or the
5 cost element that is identified in your cost sheet here as other
6 recurring expenses?

7 A. That's correct.

8 Q. And doesn't that other recurring expense constitute about
9 90 percent of the total hubbed NNI charge that you're --
10 recurring charge that you're proposing?

11 A. That's correct.

12 Q. What happens once you pass that multiplexer in the serving
13 wire center? Where does that pipe terminate?

14 A. Going out towards the end user --

15 Q. Yes. Uh-huh.

16 A. -- or whatever? It would either go to the customer's
17 premises or the interexchange carrier's point of presence.

18 Q. Is that a dedicated facility?

19 A. Yes, that's a dedicated facility that the customer would
20 select the type and speed.

21 Q. Does Ameritech establish any kind of point of termination
22 bay or anything after that multiplexer, or does it go straight
23 from the mux out to the end user?

24 A. Well, I mean, there's -- within -- within the local --
25 Well, because we weren't really talking about -- on the other

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1 side is -- What normally would happen is you purchase it out of
2 the special access tariff, or you'd have somebody else come in
3 and provide that transport for you, and then there would be a
4 cross connect charge if you were coming in using somebody
5 else's, but if you came in using our transport, you could
6 terminate directly on that multiplexer.

7 Q. To the mux, okay. Okay.

8 Let me direct your attention to Page 5 of Exhibit 1 --

9 A. Okay.

10 Q. -- where you have the DLCI rates. Can you tell me where --
11 where that is -- what those are derived from, what functionality
12 those costs are recovered?

13 A. Okay. What -- Are you talking about the nonrecurring
14 charges or the recurring charges and what column?

15 Q. I'm sorry, the recurring charges.

16 A. Okay. The Column A, labeled "monthly expense"?

17 Q. Uh-huh.

18 A. Those are the charges that AADS assesses Ameritech Ohio if
19 they wanted that functionality between the DLCI at CIR from zero
20 kilobytes per second up to 768.

21 Q. Can you tell me what the cost element is that those -- you
22 know, if I could hold it in my hand what --

23 A. What happens is I receive a bill from AADS that will charge
24 me a monthly expense for that feature function; so in order to
25 have that data link connection identifier at a committed

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1 information rate, that's a separate charge that we receive from
2 AADS on a monthly basis for that functionality.

3 Q. Okay. And if we look at the bottom line there, with a 768
4 kilobytes, can you just give me an eyeball figure about what
5 percent of the total proposed recurring rate is made up of that
6 monthly expense from the AADS bill?

7 A. An eyeball? About 60 to 70 percent.

8 MR. CANIS: Okay. Thank you. I have no further
9 questions.

10

- - -

11

EXAMINATION

12 BY MEMBER SOLIMAN:

13 Q. Good afternoon. If I can turn your attention --

14 (Pause.)

15 A. I'm sorry, I heard you, "If I can turn your attention...."

16 Q. -- to Page 5 of your testimony?

17 A. Okay. Yes.

18 Q. You have a general discussion of how did you determine --
19 you have a general discussion of how did you determine the
20 TELRIC costs for interconnection for frame relay?

21 A. That's correct.

22 Q. And you are generally describing that you have used the
23 same assumptions that have been used by Ameritech Ohio in the
24 TELRIC proceeding here with the Commission --

25 A. That's correct.

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1 Q. -- that have been referred to previously, 96-922
2 proceeding. Are you aware that the Commission did not issue a
3 final ruling on that proceeding?

4 A. Yes, I am.

5 Q. Okay. And are you aware that some issues like economic
6 lives, cost of capital, the common cost allocation, fill
7 factors, all those have been issues debated in that proceeding?

8 A. Yes, I am.

9 Q. So with that understanding, and I know you have been asked
10 about this previously, but I want to have clear understanding.

11 Are you proposing the TELRIC-based prices in your Exhibit 1
12 attached to your testimony to be permanent rates or interim
13 rates until the Commission rules on all those issues in the
14 TELRIC proceeding?

15 A. Well, can I say, after leading the witness, I think they
16 should be interim rates until after the Commission --

17 Q. I am not an attorney.

18 A. I know that. We would propose these to be interim rates
19 until the Commission has come up with its final determination on
20 those outstanding issues in the generic hearing.

21 Q. Okay. I was trying not to lead.

22 A. That's fine.

23 MR. STEMM: You go right ahead.

24 BY MEMBER SOLIMAN:

25 Q. On Page 10 --

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1 A. Okay.

2 Q. -- in your response to the question that's actually
3 starting on Page 9, you are describing that on the top of
4 Page 10 that there was a one-time planning and implementation
5 cost that Arthur Andersen have incorporated -- I'm sorry, would
6 you hold for a second. Yes, here you are saying that "and these
7 have been incorporated into our TELRICs." Are you referring
8 to -- When you say "our TELRICs," are you referring to the
9 TELRICs on the 922 proceeding or including this?

10 A. Actually, in this proceeding here, where we include the
11 shared and common portion in developing the price for the
12 interconnection.

13 Q. Do you know if Arthur Andersen run for their common cost
14 allocation model incorporated the TELRIC you have developed for
15 frame relay interconnection or not?

16 A. What I would state to that is that the frame relay
17 interconnection was not viewed because we don't see this as
18 being an exchange service, and that if it was included, it would
19 have a very de minimus impact on it because of the amount of
20 revenues we'd ever derive from this. So I don't think it would
21 change the shared and common factor.

22 Q. Okay. But to your knowledge, Arthur Andersen have not made
23 another run of their model after you have --

24 A. That's correct.

25 Q. -- developed your TELRIC?

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1 A. That's correct.

2 Q. I don't mean to shift, but going back to Page 5 --

3 A. Okay.

4 Q. -- the last sentence on that page you say that "We used as
5 a starting point an earlier forward-looking incremental cost
6 study that was prepared for the FCC." When was that study
7 prepared?

8 A. That study was done in May of -- well, actually, March,
9 April, May of 1996.

10 Q. So that was done before the FCC come out with their TELRIC?

11 A. No, the TELRIC came out -- I'm trying to remember when that
12 thing came out in 1996.

13 MR. STEMM: The Act?

14 THE WITNESS: This order here, the big thick one.

15 MR. STEMM: August.

16 MR. CANIS: It came out in August.

17 THE WITNESS: It came out in August. We also did some
18 other studies in January of 1997.

19 BY MEMBER SOLIMAN:

20 Q. I'm not quite sure if you answered my question. My
21 question was: Did you -- That original study that you used as a
22 starting point --

23 A. Right.

24 Q. -- when was it performed, before or after the FCC have
25 issued --

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1 A. Prior to.

2 Q. -- their price?

3 A. Prior to.

4 Q. Prior to.

5 And what -- Would it be fair to say that you used it as a
6 starting point and then you changed the assumptions that was
7 used for that study to be consistent with assumptions that
8 Ameritech Ohio have used in their TELRIC proceeding here with
9 this Commission?

10 A. Well, yeah, what I would state is that we took that study,
11 reviewed the TELRIC methodology, and ensured that the inputs
12 that we used into the study were consistent with TELRIC studies
13 that we have submitted previously to the Commission. To the
14 extent that those deviated, then we may change those.

15 Q. Okay. Can I ask you, for example, if you go to the
16 Exhibit 1 --

17 A. Okay.

18 Q. -- when we talk about recoverable material cost for -- on
19 the first line, this is mainly material?

20 A. Right, that's correct.

21 Q. And in developing that cost, the recoverable cost, material
22 cost, did you apply any utilization factor?

23 A. No, we -- we -- and this is where we talked a little bit
24 before. We did not use a utilization factor there. We looked
25 at the engineering capacity of those on multiplexers to

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1 determine the costs on a per-unit basis. If we went back and we
2 changed the utilization factor, the costs would be a little
3 higher.

4 Q. But you did not do that?

5 A. I did not -- That's the one thing I did not change, was the
6 utilization factor.

7 Q. So in that aspect, you are not -- or this TELRIC study is
8 not consistent with --

9 A. Right, it's understating the cost slightly.

10 Q. So it's not consistent with the TELRIC study submitted in
11 Ameritech's TELRIC proceeding regarding the fill factor?

12 A. That's correct.

13 Q. However, it's consistent with the cost of capital and
14 depreciation life?

15 A. That's correct. I guess I can't say in the life that we
16 use, but we use the (indicating) -- because of the
17 confidentiality, we use the life that we used for the TELRIC and
18 the cost of capital was the same percentage as indicated in my
19 testimony.

20 Q. I didn't know if she can transcribe just raised hand.

21 (Laughter.)

22 (Pause in proceedings.)

23 BY MEMBER SOLIMAN:

24 Q. Going back to Page 10 of your testimony --

25 A. Okay.

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1 Q. -- that question and answer starting on Line 10, you
2 have -- you mention that you have developed recurring and
3 nonrecurring costs for hubbed network-to-network interface
4 connection. All our discussion up to this point have been about
5 network-to-network interface, NNI, not H NNI.

6 A. Okay.

7 Q. Can you generally explain to us --

8 A. Sure.

9 Q. -- the difference in definition or difference in
10 functionality?

11 A. I guess I used the term hubbed network-to-network interface
12 because that's really the rate element that appears in our
13 tariff and the difference between the NNI and the hubbed NNI is
14 that the hubbed NNI you go out here to the serving wire centers
15 where you interconnect.

16 At NNI, there might be a serving wire center out here, and
17 then there would be some intermediate interoffice transport that
18 we would have included in our rate, but I figured they wanted to
19 get as close to the switch as we could. So that's the reason
20 why we only presented the cost work for those.

21 We could remove the "hubbed" in this instance because we're
22 really talking about NNI connections, but it was probably, from
23 my standpoint of understanding, so I could keep the two straight
24 in my mind.

25 Q. Okay. And do you know what's ICI's position on that; do

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1 they prefer the hub NNI versus the NNI, or this was not
2 discussed?

3 A. I'm not sure about that. I think they wanted to have
4 interconnection as close to the switch as they could.

5 Q. Okay. On Page 11 you mentioned in response to the first
6 question here the "Costs have been developed for the services
7 ICI has requested...." Does this mean that all rate elements
8 that can be requested by a carrier have -- that you have to
9 build the cost for them already, or there might be some other
10 rate elements or services that other carrier might want to
11 purchase, but ICI specifically did not ask for them, so it
12 didn't develop a TELRIC for it?

13 A. Okay. That's a good question. From my -- you know, ICI
14 requested, you know, interconnection to Ameritech's frame relay
15 switch, and this is the closest -- these set of rate elements
16 are the closest I could get to accommodate their desire, since
17 Ameritech Ohio doesn't own the switch, and we're really
18 reselling to another vendor's service, that that got to the
19 closest point.

20 Now, does this encompass every possible means of somebody
21 coming in to interconnect? I don't know that because I'm not
22 familiar with the marketing or the -- or the technical plans on
23 how people could want to come in. I think, given the
24 constraints, this was probably as close to meeting ICI's needs
25 as I could produce.

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1 MEMBER SOLIMAN: Okay. Thank you. I have no further
2 questions.

3 EXAMINER JENNINGS: Redirect?

4 (Pause.)

5 Redirect?

6 MR. CONWAY: Your Honor, we do have one -- one
7 question or a couple of questions for Mr. Wardin and, Jon, it
8 really deals with the cleanup of another issue, which is the
9 certificated status of AADS, which Mr. Wardin is familiar with.
10 And so I thought in order to clear up the record, it might be
11 appropriate to ask him to explain, because he is knowledgeable
12 about it, about AADS in Ohio; so with your indulgence, if I
13 could just ask that.

14 MR. CANIS: I would appreciate that.

15 EXAMINER JENNINGS: I would like to have that on the
16 record.

17 - - -

18 REDIRECT EXAMINATION

19 BY MR. CONWAY:

20 Q. Mr. Wardin, let me ask a question of you. Do you recall
21 some discussions this afternoon about the status of regulation
22 of AADS by the Ohio Commission?

23 A. Yes, I do.

24 Q. And the question was as to whether or not AADS has a
25 certificate from the Ohio Commission to operate in Ohio; do you